## Message Text

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CONFIDENTIAL GENEVA 1059

PASS LABOR FOR SECRETARY MARSHALL

EO 11652: GDS
TAGS: ILO, PLAB
SUBJ: ILO: DIRECTOR-GENERAL INTENDS TO WITHDRAW PROPOSAL ON CHINESE CONTRIBUTION

1. SUMMARY: ILO DG BLANCHARD WILL TELL THE FINANCE AND ADMINISTRATIVE COMMITTEE (PFAC) TOMORROW THAT HE IS WITHDRAWING HIS PROPOSAL FOR HANDLING THE CHINESE CONTRIBUTION. BLANCHARD WILL MAKE A SECOND STATEMENT, PROBABLY TOMORROWN AFTERNOON, ON THE REPLENISHMENT OF THE WORKING CAPITAL FUND (WCF). THIS STATEMENT WILL BE HANDLED ENTIRELY SEPARATELY FROM THE CHINA QUESTION BY BLANCHARD. END SUMMARY.

2. IN PRIVATE CONVERSATION FEB 31, HOROWITZ
URGED BLANCHARD TO WITHDRAW HIS PROPOSAL FOR HANDLING
THE CHINESE CONTRIBUTION PROBLEM, LEST THE PROPOSAL
TRIGGER A FRUITLESS DEBATE ON CHINA (THE CASE HAD
BEEN MADE EARLIER BY HOROWITZ TO CHEF DE CABINET
FORTIN FOR TRANSMITTAL TO BLANCHARD ON HIS RETURN
TO GENEVA FEB 11). BLANCHARD INDICATED AGREEMENT. THIS MORNING THE ALLOCATIONS COMMITTEE
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POSTPONED DISCUSSION OF THE DG'S PROPOSAL.

3. AT LUNCHEON TODAY FOR GOVERNMENT REPS OF WESTERN MAJOR CONTRIBUTORS (US, JAPAN, CANADA, AUSTRALIA, FRG, FRANCE, UK AND ITALY) BLANCHARD ANNOUNCED HE WOULD WITHDRAW HIS CHINA PROPOSAL (HE TOLD US PRIVATELY HE WOULD MAKE THIS ANNOUNCEMENT ON THE

MORNING OF FEB 15). THE REASON FOR WITHDRAWAL IS OPPORTUNITIES TO SOUND OUT CHINESE INTENTIONS BECAUSE OF (UNSPECIFIED) "NEW DEVELOPMENTS." THE GENERAL REACTION WAS APPROVAL AND RELIEF THAT THE ILO WOULD BE SPARED A DEBATE ON CHINA. BLANCHARD ALSO TOLD THE MAJOR CONTRIBUTORS THAT THE WORKING CAPITAL FUND WUULD BE EXHAUSTED BY THE END OF THE YEAR AND AT A LATER SESSION OF THE PFAC (PROBABLY THE AFTERNOON OF FEB 15), HE WOULD TELL THE PFAC THAT A SPECIAL ASSESSMENT OF \$10 MILLION WILL BE NECESSARY IN THE NEXT TWO YEARS TO REPLENISH THE WCF. HOROWITZ EXPRESSED SATISFACTION THAT BLANCHARD WAS WITHDRAWING THE CHINA PAPER AND MAKING SEPARATE STATEMENTS ON THE CHINESE AND WCF ISSUES; HE NOTED THAT THE US WOULD NOT PARTICIPATE ACTIVELY IN PFAC DISCUSSION OF THE 1978/79 BUDGET AND PROGRAM, LIMITING COMMENTS TO A FEW PROGRAM ASPECTS OF CONTINUING INTEREST. CATTO

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